



2005 Department of Financial Institutions
Annual Report





LETTER FROM THE DIRECTOR

It is our pleasure to present the 2005 annual report for the Washington State Department of Financial Institutions. In the following pages you will find highlights of the endeavors of DFI’s dedicated state employees.

DFI’s reputation as a hard working agency devoted to our core mission of ensuring safe, honest and reliable financial services in the State of Washington is a testament to the contributions of our staff. Our employees are passionate about protecting consumers and providing excellent customer service.

The department’s five divisions — Banks, Credit Unions, Securities, Consumer Services and Administration — regulate a wide range of financial enterprises and individuals, such as banks, credit unions, mortgage brokers, consumer loan companies and securities issuers and salespeople.

Our staff is diligent in the pursuit of improving and promoting a stable and competitive financial services industry that enhances economic vitality. These professionals offer Washington consumers security in the knowledge that their interests are being valued and protected.

We value the opportunity to serve Washington consumers and businesses and look forward to continuing with that honor.

Scott Jarvis
Director
Washington State Department of Financial Institutions

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Department Overview

MISSION STATEMENT

Mission Statement: DFI regulates our State’s financial services industry to protect the public, promote economic vitality, and preserve integrity in the marketplace.

2005 Accomplishments

Safety and Soundness:

Banks: Our public performance measure is to have 95% of WA state charter bank assets in institutions with satisfactory ratings. As of 11/30/05, 97.4% of assets are held in such institutions (\$41.9 Billion out of \$43.1 Billion in total assets). Seventy-seven of eighty institutions are rated satisfactory. The number of problem banks is at its lowest level since 2000.

Credit Unions: Our public performance measure is to have 95% of WA state charter credit union assets in institutions with satisfactory ratings. As of 11/30/05, 98.3% of assets are held in such institutions (\$16.59 Billion out of \$16.88 Billion in total assets).

Business Development:

The Division of Banks is proactively working to facilitate the new bank application process with six groups interested in starting Washington state chartered banks. Three new banks received state charters in 2005 (Bank of Bellevue, Puget Sound Bank, Business Bank of Skagit County).

Using existing staff and resources, DFI’s Securities Division reenergized and modernized its four Small Business Assistance programs and is actively reaching out to small business through state universities, economic development councils and groups such as the Tabor 100 and the WA Association of Small Business Incubators.

DFI has developed “The Business Development Company Act” for the 2006 legislative session to revive and modernize the Business Development Corporation Act (ch. 31.24 RCW). The bill breathes life into the charter by providing incentives for financial institutions, non-depository lenders and investors to participate in business development companies which will, in turn, lend and invest within local communities to stimulate small business, economic development and jobs. By simply streamlining and modernizing this existing but under-utilized program, DFI believes it can leverage existing agency resources to better assist small businesses, consistent with sound business practices and fiduciary responsibilities.

Enforcement:

DFI’s Consumer Services Division again took a leadership role in a large multi-state predatory lending case. The case was led by state Attorneys General, however, DFI’s division director was appointed to the case Executive Committee and the initial negotiation team. This case is expected to settle in early 2006 with significant injunctive relief and \$325 million in restitution and fines (approximately \$6 million to be shared by roughly 10,000 Washington consumers).

DFI’s Securities Division continues to play a leading role in complex criminal and regulatory actions. The Division assisted the Department of Justice, the Federal Bureau of Investigation, and the Securities and Exchange Commission in the investigation of financial and accounting fraud at Metropolitan Mortgage & Securities in Spokane, which involved over ten thousand investors and \$400 million of securities losses. The Division itself took action against 15 securities sales agents regarding securities sales of \$170 million.

The Securities Division also partnered with the Office of the Insurance Commissioner in taking enforcement action against Waddell & Reed, Inc., a broker and insurance agency, that did not supervise the suitability and switching of the variable annuities of 400 Washington State customers. Under the terms of the joint settlement with the Division and OIC, Waddell & Reed provided \$700,000 to repay Washington customers and paid a fine of \$95,145.95.

Rulemaking:

DFI jumpstarted previously stalled negotiations with the payday lending industry and consumer advocates to develop rules to implement chapter 31.45 RCW, the Check Casher and Sellers Act (with Payday lending endorsements). The rules implement the Legislature’s 2003 and 2005 amendments to the Act and set forth guidelines for disclosures, payment plans and other consumer protections.

Consumer Outreach:

In November, in the first of several planned partnerships with the Governor’s Commission on Hispanic Affairs, the department launched an awareness campaign focusing on the use of money transmitters. The two agencies worked together to produce a 60 second radio announcement in Spanish using the voice of the Executive Director of the Commission, Uriel Iñiguez, to run statewide on Spanish language radio to inform and educate the more than 640,000 members of Washington’s Hispanic community about money transmitter services.

Using existing staff and resources DFI developed and coordinated a series of financial literacy outreach programs aimed at underserved communities in partnership with multipurpose human service agencies such as Neighborhood House. Programs designed to inform the Vietnamese, Chinese, Cambodian and Somali communities about basic financial skills have been held at Family and Social Services centers (primarily in King County).

Department Overview contd.

Challenges

Federal Preemption

Federal preemption of state financial institutions and regulation and other consumer protection laws continues to create conflict, and in the case of banks and credit unions threatens the viability of the dual-charter system. Federal agencies through rule making and interpretation seek to pre-empt areas of traditional state regulation. State regulators must deal with the complaints of Washington state residents without the means and jurisdiction to effectively deal with the complaints.

Small Credit Unions

Small credit unions here and across the country are under significant competitive pressure. Pressure on earning, increased emphasis on privacy, consumer protection, and data security, as well as new technology demands, has stretched the resources of a number of small credit unions to the breaking point. In June of 2002 there were 92 Washington state charter credit unions (WSCUs); in September 2005, there were 78 WSCUs. While the WA state charter offers a number of business advantages over a federal charter, conversions have come to a virtual halt, in large measure due to a change in state tax policy applying use tax to such conversions. While banks are also experiencing consolidation there have been numerous start-up

banks compared to start-up credit unions. Over the last eleven years, Washington has had one start-up credit union (TULIP Credit Union) compared to more than 50 start-up banks over the same period.

New Securities Act

In the 2006 legislative session, the Securities Division expects the National Conference of Commissioners on Uniform State Laws to introduce a new Securities Act. For the first time since 1959, the legislature may be called on to address a wide range of securities industry, regulatory, private civil remedy, and agency funding issues.

Interest Rate Risk

Changing interest rates and intense market competition have caused increasing problems in the debenture and mortgage paper securities industry. Over the past year several companies have been forced into receivership and bankruptcy and enforcement actions have been taken. This trend requires that the brokers selling debt securities receive closer scrutiny as the potential for future defaults to investors remains high. The rise in interest rates is also expected to have adverse earnings and capital effects on those depository institutions with high levels of long term assets combined with less sophisticated capacity to manage that risk.

Information Systems Upgrades

DFI has embarked on upgrading its information systems to better serve its stakeholders and the public. We are challenged in our ability to provide on-line applications, to image and build an electronic work-flow, integrating our document and case management systems and our forensic database, and at the end of the process achieve electronic storage and archiving. Risk is also seen in the growing costs and demands associated with public disclosure requests.

Mortgage Brokers

The Division of Consumer Services negotiated significant amendments to the Mortgage Broker Practices Act, which will be submitted as agency request legislation in the 2006 session. The amendments included: loan originator licensing, expanded examination and investigation authorities, and other streamlining and consumer protection improvements. The Division successfully brought together a very divergent industry and garnered support from a wide range of industry participants including: the Washington Association of Mortgage Brokers, the Washington Association of Realtors, and the appraisal industry. Successful licensing of 8,000 loan originators if the MBPA is amended will be a significant challenge.

Privacy/Data Security

The public has a high and growing expectation for protection of the privacy of confidential financial information. That protection places increasing demands on the resources of smaller financial institutions. DFI's divisions are working to increase the awareness of our regulated entities to the possible risks associated with failure to ensure the integrity of that information.



Division of Administration

Gloria Papiez, Director of Administration

The Division of Administration performs functions in the areas of legislation, communications, budget and accounting, information technology and support, human resources, and facilities. In addition, the division manages the department’s Government Performance and Accountability (GMAP) program.

Division Accomplishments for 2005

New Wireless Network: To provide greater connectivity and flexibility, DFI installed a secure wireless network in the Tumwater office. Staff can now carry tablet PCs to meetings throughout the building and maintain access to the network.

New Network Based Fax System: The agency implemented a new network based fax system that allows DFI staff to easily send and receive faxes from their PCs.

Business Continuity/Disaster Recovery Improvements: The agency took major steps to improve its ability to recover technology operations following a disaster. Servers running simultaneously for critical applications were placed in separate locations. In the event of a disaster, DFI will be able to run from either location.

DFI Facts at a Glance

Total budgeted staff: FY 2005	169.71
Staff composition by gender:	51.9% female, 48.1% male
Total biennial agency budget: 2005-2007 Biennium	\$38,534,768
Racial diversity of workforce:	29%
Number of complaints resolved:	1,517
Total fines and penalties collected:	\$414,605
Number of enforcement actions:	170
Depository institutions and trust companies combined assets:	Over \$87 billion
Amount of loans made by payday lenders:	\$1,179,056,532
Total assets of state chartered credit unions:	\$16.89 billion
Amount of ordered restitution to consumers:	\$21,195,949

Communications

Scott Kinney, Director of Communications

The Communications section strengthened DFI’s commitment to financial literacy with the addition of an online version of the Guide to Home Loans. Reviews and comments posted online have been positive and requests for hundreds of copies from consumers and industry representatives are filled monthly. Translation of the guide into Spanish commenced as well.

In partnership with the National Endowment for Financial Education, DFI reached out to one of the most targeted audiences for credit and advertising with the release of “Right On the Money, Financial Know-How for College Students.” More than 16,000 books were mailed to consumers, colleges and universities and financial institutions, requiring a second printing. The book was accepted into the National Jump \$tart Financial Literacy Clearinghouse and received an Award of Distinction from The Communicator Awards for design and content. A Web version also was created and placed online.

In addition to producing content, DFI’s communication team met with consumers directly at numerous public events, reaching thousands of Washington consumers with information on avoiding scams, preventing fraud and improving their financial education.

Consumer projects included:

- Creation and distribution of informational brochures on small business development and securities fraud.
- Immigration Summit June 9 providing consumer information regarding:
 - Understanding contracts
 - Understanding credit
 - Debt management
 - Advance fee loan scams
 - Credit counseling scams
 - Business Opportunity/Work at Home scams
- Internet related scams with promises of high incomes
- HUD Tracer scams
- Legitimate sites to receive annual credit reports
- Changes in bankruptcy legislation
- The Washington State Housing and Finance Commission has loans at note rates for lower income families
- Washington State Association for Supervision and Curriculum Development (WSASCD) – “ All Roads Lead to Instruction” Nov. 3-4
- Provided information on DFI financial education opportunities to more than 700 educators focused on curriculum
- Web site/Internet updates including:
 - Scam of the Week
 - Translation options
 - Refund Anticipation pages
 - Online licensing
 - Search function
 - Edit and updating of old pages with Plain Talk
 - Rule and legislation pages



Division of Banks

David G. Kroeger, Director of Banks

The Division of Banks division was organized in 1907 and has responsibility for supervising commercial banks, trust companies, savings banks, savings and loan associations, alien banks and business development companies incorporated under the laws of the state of Washington.

The division works directly with the institutions it regulates through examination and supervisory activity in an effort to assure the public of adequate services from the institutions. It seeks to ensure the protection of the interests of depositors, borrowers, shareholders, and consumers.

In 2005, Washington State chartered banks had good earnings, strong loan and deposit growth, and improved asset quality. Chartering of new institutions and merger activity continues to remain strong. The division chartered three new commercial banks. The division’s fiscal condition remains sound. Emphasis continued to be placed on training and development of employees, and remaining responsive to changes in the financial services markets.

Statutes Administered by the Division of Banks

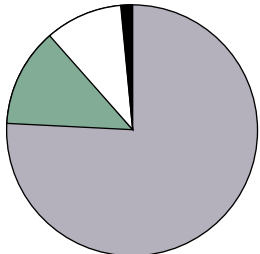
Chapter 30 RCW	Banks and Trust Companies
Chapter 31.24 RCW	Business Development Companies
Chapter 31.35 RCW	Agricultural Lenders, Loan Guaranty Program
Chapter 31.40 RCW	Federally Guaranteed Small Business Loans
Chapter 32 RCW	Mutual Savings Banks
Chapter 33 RCW	Savings and Loan Associations

Industry Facts at a Glance

Institutions Regulated by the Division of Banks		
Commercial Banks	67	
Savings Institutions	11	
Trust Companies	9	
Branches of foreign banks	1	
Total assets of banks and trust companies	\$92 billion	

Regulated Institutions by Charter Type

- Commercial Banks - 76%
- Savings institutions - 13%
- Trust Companies - 10%
- Foreign Branches - 1%



Division Milestones and Accomplishments

- The division chartered three new commercial banks and one business development company in 2005.
- The division completed scheduled examinations within their statutory timeframe with assistance from the Federal Deposit Insurance Corporation and the Federal Reserve Board.

New Banks and Business Development Corporations

- Business Bank of Skagit County, Burlington (April 2005)
- Puget Sound Bank, Seattle (April 2005)
- Bank of Bellevue, Bellevue (June 2005)
- Business Development Corporation of Eastern Washington, Spokane (November 2005)

Charter Conversions

- Sterling Savings Bank, Spokane, converted from a state-chartered savings and loan association to a state-chartered commercial bank. (July 2005)
- Central Valley Bank, NA, Toppenish, converted from a national bank to a state-chartered commercial bank. (September 2005)
- Horizon Bank, Olympia, converted from a state-chartered stock savings bank to a state-chartered commercial bank. (August 2005)

Mergers and Liquidations

- EverTrust Asset Management, Seattle, merged into KeyBank National Association, Cleveland, Ohio. (August 2005)
- Redmond National Bank, Redmond, merged into Venture Bank, Lacey, Washington. (September 2005)
- Asia-Europe-Americas (AEA) Bank, Seattle, merged into The Cowlitz Bank, Longview, Washington. (October 2005)
- Pacifica Bank, Bellevue, merged into United Commercial Bank, San Francisco, California. (October 2005)
- Northwest Commercial Bank, Lakewood, merged into Pacific Continental Bank, Eugene, Oregon. (December 2005)

Name Changes

- Farmers and Merchants Bank of Rockford, Opportunity, changed their name to F&M Bank. (February 2005)
- State Bank of Concrete, Concrete, changed their name to Summit Bank. (March 2005)
- Phoenix Savings Bank, Lynnwood, changed their name to Pacific Crest Savings Bank. (April 2005)

KEY STATISTICS	2002	2003	2004	2005
Number of State Chartered Commercial Banks	66	65	64	67
Number of State Chartered Savings Institutions	16	15	13	11



Division of Consumer Services

Chuck Cross, Director of Consumer Services

The Division of Consumer Services regulates the business activities of consumer loan companies (e.g. sub-prime lenders), mortgage brokers, money transmitters and currency exchangers, check cashers and sellers and payday lenders. The division is also responsible for investigation, criminal referrals and prosecution funding of residential mortgage lending fraud cases budgeted under the Residential Mortgage Lending Fraud Account. Additionally, the Division has registration responsibility for Refund Anticipation Loan Facilitators.

The division reviews applications for financial institution licenses issued under the division’s regulatory authority. Applicants meeting qualifications and found to be without negative regulatory or criminal backgrounds are typically granted licenses. A core group of financial examiners examine the books and records of licensees for compliance with applicable state and federal law.

The division’s investigation and enforcement arm consists of a mix of financial legal examiners (attorneys) and financial examiners who investigate white collar crime. This unit investigates and resolves consumer complaints, investigates administrative and criminal violations of financial institution laws, files charges against violators, conducts settlement negotiations, assists assistant attorneys general in administrative and civil litigation, and assists prosecutors in the conviction of violations and crimes.

Statutes Administered by the Division of Consumer Services

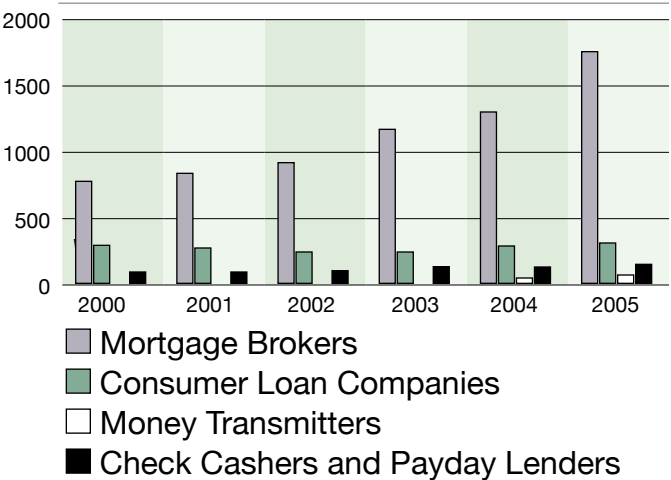
Chapter 31.04 RCW	Consumer Loan Act
Chapter 31.45 RCW	Check Cashers and Sellers Act
Chapter 19.146 RCW	Mortgage Broker Practices Act
Chapter 19.230 RCW	Uniform Money Services Act
Chapter 36.22/43.320 RCW	Mortgage Fraud Prosecution Account
Chapter 19.265 RCW	Refund Anticipation Loan

Industry Facts at a Glance

Mortgage Broker License	1771
Mortgage Broker Branch Office Licenses	963
Consumer Loan Company Licenses	323
Consumer Loan Company Branch Office Licenses	1152
Money Transmitter and Currency Exchange Offices	84
Money Transmitter Delegates	5712
Check Casher Company Licenses*	162
Check Casher Branch Office Licenses	572
Check Seller Company Licenses*	17
Check Seller Branch Office Licenses	6
Payday Lender Endorsement Licenses*	131
Payday Lender Endorsement Branch Office Licenses	585

* Check Casher, Check Seller and Payday Lender endorsements overlap. The identified Check Sellers are also Check Cashers and either a Check Casher or Seller license is required in order to obtain a Payday Lender endorsement. Many licensees only conduct payday loan activity despite holding a Check Casher or Seller license.

Regulated Entities by Group



Division Milestones and Accomplishments

- The Division fostered the creation of two webpages in Spanish - Money Transmitters/Currency Exchangers and Payday Lenders/Check Cashers & Sellers
- The Division successfully defended its major predatory lending case against Nationscapital Mortgage Corporation and Jamie Chisick in Thurston County Superior Court. Nationscapital must pay over \$700,000 in restitution to 120

Washington consumers. The court also affirmed a 20 year ban of Chisick from the industry and his payment of nearly \$300,000 in fines. Nationscapital’s license to operate as a mortgage broker was revoked and the company must pay fines of over \$450,000.

- The Division reached a settlement of the charges filed in 2004 against payday lender, Fast Cash Loans (licensed as PFH, Inc.), Jonathan Blake Goldberg, and three employees. Fast

Cash agreed to the payment of a \$50,000 fine and \$4,320.46 in restitution to nearly 300 Washington consumers. The company also reimbursed the DFI for the cost of the investigation. The company’s former President and CEO, Jonathan Blake Goldberg, agreed to a two-year ban from the payday lending industry and payment of a \$30,000 fine. Goldberg also agreed to a ban from having any involvement or control over administrating

collection activities for three years. Three employees agreed to fines totaling \$1,750. This brings closure to a case claiming the payday lender used illegal lending and collection practices and overcharged fees.

- The Division issued a temporary order to cease and desist order to Expressit, Inc. – an unlicensed payday lender who had made payday loans to over 375 consumers during a 1 ½ year period. After conducting

further investigation the Division issued a Statement of Charges alleging multiple violations of state lending laws, including not providing borrowers with written agreements or disclosures and granting loans and charging fees in excess of legal limits. DFI seeks fines of over \$72,000, restitution to all affected borrowers, bans for 5 years of the owners from the industry, and reimbursement of investigation costs.

continued on pg. 12



Division of Consumer Services contd.

Division Milestones and Accomplishments contd.

- The Division's investigation of Ocean Shores Escrow, Inc. uncovered embezzlement from the trust account by Catherine J. Pellegrini (formerly Catherine Cutler-Tyler), owner and escrow agent. Pellegrini plead guilty to 8 counts of first degree theft and was sentenced to 29 months in jail and ordered to pay over \$325,000 in restitution, plus costs for witness and attorney's fees. The Financial Crimes Unit of the Attorney General's Office prosecuted the criminal action which was made possible by the state's Mortgage Lending Fraud Prosecution Fund.
- The division developed a report to provide policy makers with an overview of the payday lending industry. The study captures detailed transaction information about four Washington payday loan companies representing 55% of the payday lending volume.
- The licensing unit maintained turnaround times on license applications at or below target levels for the entire year. Most applications for licensure as a mortgage Broker, Consumer Loan Company, or Check Cashier or Check Seller (payday lenders) were processed within five working days.
- Applicants for licensure under the Uniform Money Services Act were required to be reviewed with homeland security and anti-money laundering reviews included. This added slightly to review times for these applications. On average they too were processed within target timeframes.
- The legislature passed Substitute Senate Bill 5692, a measure requiring providers of Tax Refund Anticipation Loans (RALs) to register with the Department of Financial Institutions. The licensing unit of the Division of Consumer Services took on the task of notifying RAL providers of their new responsibility and listing the registrants in a database. By year end, over 400 RAL providers had registered with the licensing unit.

The licensing unit explored with the division the option of utilizing a system for imaging, storing and retrieving files electronically. Through the course of the year a plan was developed to implement a system compatible with that used in other divisions of the Department.

Regulated Institutions

MORTGAGE BROKERS	2002	2003	2004	2005
Companies	933	1,192	1,316	1,771
Branch Offices	441	629	787	963
Consumer Complaints	304	426	439	484

CONSUMER LOAN COMPANIES	2002	2003	2004	2005
Companies	254	270	295	323
Branch Offices	720	811	966	1152
Consumer Refunds	\$1,229,552.40	\$123,844	\$210,486	\$145,690
Consumer Complaints	354	355	233	268
RE* Loans Made During Period	71,743	99,067	108,887	132,768
Total Dollars in RE* Loans Made During Period	\$5,137,363,495	\$1,274,691,429	\$12,922,974,145	\$18,260,160,100

**Refers to real estate loans that use borrower's home as security for the loan*

CHECK CASHERS	2002	2003	2004	2005
Companies	121	139	144	162
Branch Offices	392	542	539	572
Consumer Complaints	1	2	6	10
Checks Cashed During Period	6,454,950	2,646,316	3,018,756	3,369,657
Dollar Amount of Checks Cashed During Period	\$834,735,294	\$941,638,218	\$980,177,780	\$1,175,006,834

CHECK SELLERS	2002	2003	2004	2005
Companies	8	9	8	17
Branch Offices	7	8	5	6
Consumer Complaints	0	0	7	1
Checks Sold During Period*	**550,329	1,158,438	1,021,215	2,299,566
Dollar Amount of Checks Sold During Period*	\$133,239,667	\$226,691,820	\$ 177,896,173	\$512,674,993
Escrow	51	28	3	4

**Includes checks sold as an agent of exempt company **Decrease due to change in money order reporting requirements*

Division of Consumer Services contd.

Regulated Institutions contd.

PAYDAY LENDERS	2002	2003	2004	2005
Companies	110	124	125	129
Branch Offices	317	378	465	582
Consumer Complaints	3	14	82	69
Small Loans Made During Period	2,337,359	2,983,477	3,297,012	3,593,873
Total Amount of Small Loans Made During Period	\$873,339,989	\$1,069,695,069	\$1,238,488,278	\$1,382,132,283

MONEY SERVICES	2004	2005
Companies	60	84
Delegates	3,818	5,712
Consumer Complaints	13	27
Volume	\$14,625,861,401	MT: \$15,330,265,462 CE: \$156,486,039
Fee income	\$5,241,065,265	MT: \$54,673,884 CE: \$884,770
<i>*Licensing program began October 2003</i>		

Enforcement Statistics

2005 ORDERS ENTERED	ACTIONS
Statement of Charges	18
Summary	1
Cease & Desist or Suspension	
Final Order or Revocation	12
Consent order	30
Total	61

	2002	2003	2004	2005
Complaints*	868	1,025	947	1,095
Charges and Orders Issued	19	52	123	61

Investigations Opened	40	29	111	112
Investigations Closed	102	93	64	47

**Includes complaints filed against non-licensees.*

Money Savvy Kids - Demographics of School Participants

Consumer Services devoted a portion of its funds to educating consumers. In 2005, the Money Savvy financial education program was expanded to reach more students in more schools throughout the state. The program was presented to students who are largely considered underserved and at-risk due to their socio-economic status in their communities.

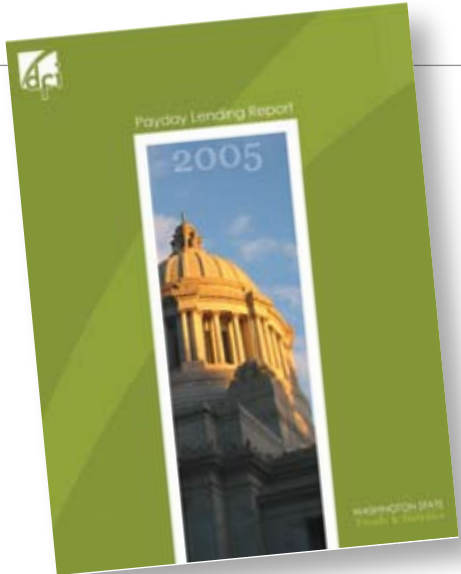


District Name	School Name	School City	% Free/Red Lunch	% Asian	% Black	% Hispanic	% Indian
Peninsula	Purdy Elementary	Harbor	14%	5%	1%	4%	3%
Bethel	Spanaway Elementary	Spanaway	49%	13%	15%	8%	6%
Clover Park	Tillicum Elementary	Lakewood	93%	10%	21%	17%	1%
Tacoma	DeLong Elementary	Tacoma	57%	9%	28%	9%	2%
Tacoma	McCarver Elementary	Tacoma	93%	14%	51%	10%	3%
Tacoma	Sherman Elementary	Tacoma	31%	3%	10%	6%	1%
Tacoma	Whitman Elementary	Tacoma	69%	14%	22%	10%	1%
South Kitsap	Orchard Heights	Port Orchard	39%	10%	5%	8%	3%
Tukwila	Tukwila Elementary	Tukwila	64%	29%	16%	19%	0%
Kent	Grass Lake	Kent	15%	3%	1%	2%	2%
Issaquah	Sunset Elementary	Bellevue	4%	17%	1%	2%	1%
Issaquah	Discovery Elementary	Sammamish	1%	19%	0%	4%	0%
Renton	Cascade Elementary	Renton	50%	18%	21%	13%	1%
Renton	Talbot Hill Elementary	Renton	35%	23%	18%	14%	1%
Renton	Kennydale Elementary	Renton	36%	22%	12%	6%	1%
Quinalt Lake	Lake Quinalt School	Amanda Park	82%	0%	2%	25%	8%
Finley	Finley Elementary	Kennewick	57%	1%	0%	21%	1%
Yakima	Discovery Lab	Yakima	34%	2%	7%	22%	3%
Richland	Jason Lee Elementary	Richland	36%	4%	4%	7%	1%
Sunnyside	Pioneer Elementary	Sunnyside	89%	1%	0%	86%	0%
Central Valley	McDonald Elementary	Spokane	38%	1%	2%	5%	2%
East Valley	Skyview Elementary	Spokane	37%	5%	1%	3%	1%
Kalama	Kalama Elementary	Kalama	29%	2%	1%	3%	0%
TOTAL			50%	9%	10%	22%	1%

2005 Payday Lending Report

Payday loans are a growing financial product used by consumers in Washington State. The Department of Financial Institutions has created a payday lending report as an educational tool for policy makers and other interested parties. The report illustrates industry trends, statistics, and information on how frequently consumers borrow payday loans.

The 2005 payday lending report is available as a PDF on DFI's website at http://www.dfi.wa.gov/cs/pdf/2005_payday_report.pdf. To request printed copies, call 360-902-8700 or 877-746-4334.



Division of Credit Unions

Linda Jekel, Director of Credit Unions

The Division of Credit Unions division was created in 1993. Before that, the Division of Savings and Loan Associations regulated state credit unions. Credit unions are nonprofit, cooperative associations organized to promote thrift among their members and create a source of credit for them at fair and reasonable rates. The Division seeks to protect the financial interests of credit union members, including depositors.

The Division examines credit unions at least every 18 months for unsafe and unsound practices and violations of statutes and rules. The Division uses a variety of examination and supervision tools to accomplish its mission. In addition, the Division processes a variety of applications from state credit unions such as merger and conversion applications. The Division also works with consumers regarding complaints against state credit unions.

Washington state chartered credit unions prospered in 2005. Washington credit unions are consolidating into fewer numbers due to competitive pressures from other financial service providers (such as banks, mortgage brokers, and consumer loan companies). A similar trend is evident nationally in the credit union industry. The remaining credit unions are healthy, with strong net worth for future growth and loss reserves. Net worth levels increased approximately 11.08 percent. Due to better marketing, credit union membership continued to grow supporting and strengthening the credit union movement and resulting in more loans and deposits. Total loans grew 15.25 percent to 13.67 billion, and total shares and deposits grew 8.61 percent to \$15.88 billion.

Statutes Administered by the Division of Credit Unions

Chapter 31.12 RCW The Washington State Credit Union Act
Chapter 31.13 RCW The Corporate Credit Union Act

Industry Facts at a Glance

Number of state chartered credit unions	79
Total assets of state chartered credit unions	\$18.53 billion
Total state chartered credit union members	1.92 million

New Credit Union Charters

No new credit unions charters were issued in 2005.

Charter Conversions

Social and Health Services Federal Credit Union converted to a Washington state chartered credit union

ValleyTrust Credit Union converted to a federally chartered credit union

Mergers

City Employees of Clark County Federal Credit Union merged with iQ Credit Union

Name Changes

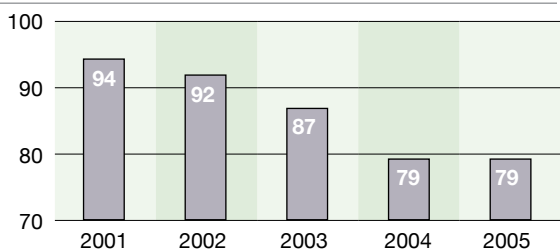
Telco Credit Union changed its name to PrimeSource Credit Union

State Chartered Credit Union Information

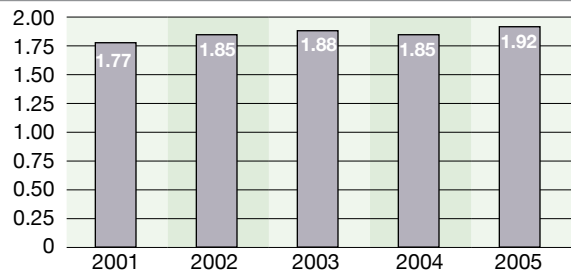
All numbers are end of year figures in thousands (000)

	2001	2002	2003	2004	2005
Loans & Contracts	\$8,947,804	\$9,843,563	\$10,553,569	\$11,857,264	\$13,665,692
Total Assets	\$13,388,339	\$15,109,748	\$16,239,395	\$16,898,268	\$18,528,470
Shares & Deposits	\$11,692,689	\$13,183,696	\$14,129,834	\$14,622,907	\$15,882,061
Net Worth	\$1,263,772	\$1,458,360	\$1,577,682	\$1,687,204	\$1,873,269
Net Income	\$86,715	\$160,768	\$149,457	\$153,628	\$184,649
Net Worth to Total Assets Ratio	9.43%	9.65%	9.71%	9.98%	9.98%

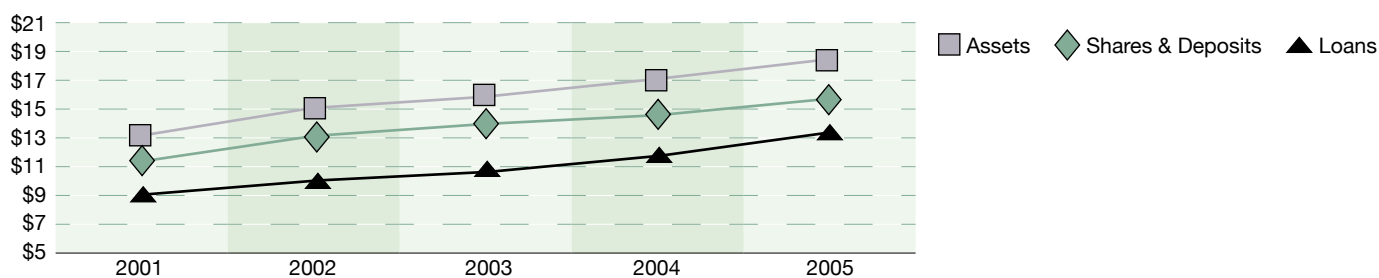
Number of State Chartered Credit Unions



Number of Members



State Chartered Credit Unions End-of-Year Statistics





Division of Securities

Michael Stevenson, Director

The Division of Securities division regulates the offer and sale of investments and escrow services to Washington state residents. This is accomplished using a variety of regulatory and enforcement tools, including registration requirements for securities, franchise and business opportunity offerings, and licensing and examination of securities broker-dealers, investment advisers, and escrow agents and officers.

The division provides technical assistance to small businesses, responds to customer complaints, undertakes investigations based upon complaints and undercover work, and brings appropriate administrative, civil and criminal cases. Over 100,000 individuals and firms were licensed to provide securities investments and advice to our citizens, and more than \$625 billion of securities products were offered to Washington investors in 2004.

The division works directly with the entities it regulates through examinations and market surveillance activity in an effort to assure the public of adequate protection for their investments. A total of 95 enforcement actions were taken this year, and the division assisted in the preparation of seven criminal cases. The division was also actively engaged in providing consumer education presentations and distributing basic personal finance and investor educational materials.

Statutes Administered by the Division of Securities

Chapter 18.44 RCW	Escrow Agent Registration Act
Chapter 19.100 RCW	Franchise Act
Chapter 19.110 RCW	Business Opportunity Act
Chapter 21.20 RCW	Securities Act
Chapter 21.30 RCW	Commodities Act

Industry Facts at a Glance

Registered Securities Salespersons	106,630
Registered Securities Broker-Dealers	2,085
Branch Offices of Broker-Dealers	3,755
Regulated Investment Advisers	1,557
Investment Adviser Representatives	6,860
Registered Franchises	966
Registered Escrow Agents	198
Registered Escrow Officers	341

Division Milestones and Accomplishments

- The Securities Division assisted the Arizona Attorney General's Office in the successful criminal prosecution of MaryAnne Chisholm of Tucson, Arizona. Chisholm was sentenced to a twenty seven year prison term and ordered to pay restitution of over \$21,000,000 in Pima County Superior Court for the sale of unregistered securities and other crimes in which over 1,200 investors nationwide were defrauded in connection with the sale of stock in Safari Media, an Internet/computer multi-media business.

Division of Securities Statistics

SECURITIES	2002	2003	2004	2005
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$579,056,623,456	\$519,368,524,783	\$507,503,462,029	\$625,721,157,829
Registered Securities Broker-Dealers	2,104	2,106	2,072	2,085
Registered Investment Advisers	424	522	403	412
Investment Adviser Notice Filers	940	956	1,068	1,145
Registered Securities Salespersons	97,982	97,609	101,834	106,630
Registered Investment Adviser Representatives	5,450	6,082	6,358	6,860
Branch Offices of Broker-Dealers	2,138	2,125	2,285	3,755
Active Enforcement Cases	132	115	149	137
Enforcement Actions	84	88	72	82

FRANCHISES	2002	2003	2004	2005
Registered Franchises	689	777	872	966
Registered Franchise Brokers	74	86	139	210
Active Enforcement Cases	12	12	16	17
Enforcement Actions	10	10	5	3

BUSINESS OPPORTUNITIES	2002	2003	2004	2005
Registered Business Opportunities	37	30	33	27
Active Enforcement Cases	17	9	14	15
Enforcement Actions	13	10	7	2

COMMODITIES	2002	2003	2004	2005
Active Enforcement Cases	3	2	2	1
Enforcement Actions	1	1	0	0

Division of Securities contd.

Registration and Licensing Activity Totals for 2005

REGISTRATIONS, EXEMPTIONS & NOTIFICATIONS	NEW	RENEW	AMEND
Investment Companies (Mutual Funds)	2,564	1,588	13,422
Small Business Filings (SB-2s)	3	0	0
Other Coordination Filings	46	28	45
Investment Adviser Notice Filers	940	956	1,068
Qualifications	30	5	10
SCOR (Small Company Offering Registration)	1	0	0
Franchises	228	721	331
Exemptions	2,097	0	0
Options	18	0	0
Franchise Exemptions	21	103	0
Business Opportunities	13	11	3
TOTAL	5,021	16,856	13,811

FIRMS & ENTITIES	NEW	RENEW
Securities Broker-Dealers	164	2,085
Investment Advisers	246	1,557
Franchise Brokers	56	141
Escrow Agents	20	201
TOTAL	486	3,984

FIRMS & ENTITIES	NEW	RENEW
Securities Broker-Dealers	164	2,085
Investment Advisers	246	1,557
Franchise Brokers	56	141
Escrow Agents	20	201
TOTAL	486	3,984

REPRESENTATIVES & SALESPERSONS*	NEW	RENEW
Investment Adviser Representatives	1,881	6,860
Intrastate Securities Salespersons	9	44
Agents of Issuers	8	4
Securities Salespersons	32,601	106,322
Salespersons with Disclosure History	3,540	0
Escrow Officers	28	312
TOTAL	38,039	113,542

*This workload data does not include information on registrations or licenses that terminate or fail to renew during the year.

Examination Statistics

	2002	2003	2004	2005
Broker-Dealer Exams Completed	157	131	67	108
Investment Adviser Exams Completed	77	88	60	121
Mortgage Broker-Dealer & Debenture Company Exams Completed	7	5	4	3
Escrow Agent Exams Completed	0	0	30	43
TOTAL	241	224	161	275

TYPES OF ORDERS ENTERED IN 2005	Statement of Charges	Summary: Cease & Desist or Suspension	Final: Cease & Desist or Revocation	Consent Order	Total
Securities					
Issuers	14	21	11	15	61
Broker Dealers and Investment Advisers	1	2	1	20	24
Franchises	0	0	0	3	3
Business Opportunities	1	1	0	0	2
Escrow	1	1	1	2	5
Commodities	0	0	0	0	0
Total Actions	17	25	13	40	95

	2002	2003	2004	2005
Complaints Received	496	492	597	486
Orders Issued	110	115	78	95
Warning Letters Issued	61	98	142	98
Cases Opened	116	180	74	153
Cases In Process	187	222	307	276
Cases Closed	213	155	159	184
Subpoenas Issued	375	230	221	220
Criminal Referrals	10	8	7	2
Criminal Charges	8	8	8	1
Criminal Convictions	5	7	7	3
Criminal Sentencing	2	5	7	11